

**FOX RIVER NAVIGATIONAL  
SYSTEM AUTHORITY**

**KAUKAUNA, WISCONSIN**

**AUDITED FINANCIAL STATEMENTS**

**JUNE 30, 2019**

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**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

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**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Fox River Navigational System Authority  
Kaukauna, Wisconsin

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Fox River Navigational System Authority (Authority), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Fox River Navigational System Authority, as of June 30, 2019, and the respective changes in financial position for the year then ending in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9, and the required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Erickson & Associates, S.C.*

ERICKSON & ASSOCIATES, S.C.

Appleton, Wisconsin

April 23, 2020

# **FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2019

The discussion and analysis of Fox River Navigational System Authority's (Authority) financial performance provides an overall review of the financial activities for the fiscal year. The analysis focuses on the Authority's financial performance as a whole.

### **FINANCIAL HIGHLIGHTS**

**DECREASED NET POSITION** - The Authority's overall financial status, as reflected in total net position, decreased by \$610,028 to \$29.26M from 2018 to 2019.

**DECREASED REVENUE** - Revenue decreased by \$151,320 from \$1.29M in 2018 to \$1.14M in 2019.

**INCREASED EXPENSES** - Expenses increased by \$221,392 from \$1.53M in 2018 to \$1.75M in 2019.

**DECREASED GENERAL FUND BALANCE** - The General (Operating) Fund balance decreased by \$57,907 in 2019.

# FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2019

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual financial report consists of two parts - management's discussion and analysis and the basic financial statements, including notes to the financial statements and supplementary information.

The basic financial statements consist of two kinds of statements that present different views of the Authority's financial activities.

#### **Government-wide Statements**

- The Statement of Net Position compares assets to liabilities to give an overall view of the financial health of the Authority. This statement includes fixed assets and long-term liabilities.
- The Statement of Activities defines the Authority's expenses by function and illustrates the total that is offset by corresponding revenues - charges for services and/or operating grants and contributions. General Revenues and extraordinary credits are identified. The result is total net expense offset by general and miscellaneous revenue - recognizing the change in net position for the Authority from the previous year.

#### **Fund Financial Statements**

- The Balance Sheet - Governmental Funds and Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds focus on individual parts of the Authority. Fund financial statements generally report operations in more detail than the government-wide statements.

The Notes to Financial Statements provide further explanation of some of the information in the statements and provide additional disclosures so statement users have a complete picture of the Authority's financial activities and position.

# FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2019

The major features of the Authority's financial statements, including the scope of the activities reported and type of information contained, are shown in the following table. (Table #1) The Authority does not report any proprietary or fiduciary funds.

**Table #1**

	Government-wide Statements	Governmental Fund Financial Statements
Scope	Entire Authority (except fiduciary funds).	The activity of the Authority that is not proprietary or fiduciary.
Required financial statements	Statement of net position and statement of activities.	Balance sheet and statement of revenues, expenditures, and changes in fund balance.
Basis of accounting and measurement focus	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.

# FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2019

**Table #2**

<b>Condensed Statement of Net Position</b>			
	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>% Change</u></b>
<b><u>Assets</u></b>			
Current Assets	\$ 17,561,763	\$ 17,590,939	0%
Noncurrent Assets	11,753,556	12,325,196	(5%)
<b>Total Assets</b>	<b>29,315,319</b>	<b>29,916,135</b>	<b>(2%)</b>
Deferred Outflows of Resources	172,217	82,402	110%
<b><u>Liabilities</u></b>			
Current Liabilities	63,355	34,624	83%
Noncurrent Liabilities	41,297	--	100%
<b>Total Liabilities</b>	<b>104,652</b>	<b>34,624</b>	<b>202%</b>
Deferred Inflows of Resources	119,860	90,501	32%
<b><u>Net Position</u></b>			
Net Investment in Capital Assets	11,753,556	12,295,807	(4%)
Unrestricted	17,509,468	17,577,245	0%
<b>Total Net Position</b>	<b>\$ 29,263,024</b>	<b>\$ 29,873,052</b>	<b>(2%)</b>

**Statement of Net Position: (Table #2)**

The Authority's overall financial status, as reflected in total net position, decreased by \$610,028 to \$29.26M. The Authority reported total assets of \$29.32M in 2019, of which \$11.75M or 40.1% are noncurrent assets. The Authority reported deferred outflows of resources of \$172,217. The Authority reported total liabilities of \$104,652 in 2019. The Authority reported deferred inflows of resources of \$119,860.

# FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended June 30, 2019

**Table #3**

<b>Changes in Net Position from Operating Results for Governmental Activities</b>					
	<b><u>Actual 2019</u></b>	<b><u>%</u></b>	<b><u>Actual 2018</u></b>	<b><u>%</u></b>	<b><u>% Change</u></b>
<b>Revenues:</b>					
<b>Program:</b>					
Charges for Services	\$ 35,956	3%	\$ 36,886	3%	(3%)
Operating Grants & Cont.	126,637	11%	127,425	10%	(0.6%)
<b>General:</b>					
Net Investment Activity	979,483	86%	1,129,085	87%	(13%)
<b>Total Revenues</b>	<b><u>1,142,076</u></b>	<b><u>100%</u></b>	<b><u>1,293,396</u></b>	<b><u>100%</u></b>	<b>(12%)</b>
<b>Expenses:</b>					
General Government	989,523	56%	786,052	51%	26%
Unallocated Depreciation	762,581	44%	744,660	49%	2%
<b>Total Expenses</b>	<b><u>1,752,104</u></b>	<b><u>100%</u></b>	<b><u>1,530,712</u></b>	<b><u>100%</u></b>	<b>15%</b>
<b>Change in Net Position</b>	<b><u>\$ ( 610,028)</u></b>		<b><u>\$ ( 237,316)</u></b>		<b>157%</b>

### **Revenue (Table #3)**

For FY18-19, the Authority received \$1.14M in revenue. This is a decrease of 12% or \$151,320 from the previous year. For FY18-19, 86% of revenue came from net investment activity.

### **Expenses (Table #3)**

For FY18-19, the Authority expenditures totaled \$1.8M. This is an increase of 14.5% or \$221,392 from 2018 to 2019.

**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2019

**Table #4**

<b>Net Cost of Governmental Activities</b>		
	<b><u>Total Cost of Services</u></b> <b>2019</b>	<b><u>Net Cost of Services</u></b> <b>2019</b>
General Government	\$ 989,523	\$ 826,930
Unallocated Depreciation	762,581	762,581
<b>Totals</b>	<b>\$ 1,752,104</b>	<b>\$ 1,589,511</b>

**Net Cost of Governmental Activities (Table #4)**

The net cost of governmental activities was \$1.59M in 2019.

The total cost of all governmental activities was \$1.75M in 2019.

**Fund Balance**

The Authority's total fund balance for FY18-19 decreased by \$57,907 from \$17.56 to \$17.50M.

The general fund balance decreased by \$57,907 to \$17.50M in 2019.

The capital projects had no change in fund balance in 2019 due to an operating transfer from the general fund to cover expenditures of the capital projects fund.

**General Fund Budgetary Comparison**

The Authority's annual budget is scheduled for adoption at the annual board meeting held the fourth Tuesday in June of each year. The development of a preliminary budget is scheduled each January. The Authority did not modify the original budget in FY18-19.

FY18-19 general fund revenues ended lower than budgeted due to net investment activity being lower than expected. Actual expenditures were lower than the original budget and final budget of \$1,405,300 by \$588,585.

**Capital Assets**

The Authority added \$266,061 in capital assets in FY18-19. Accumulated depreciation increased by a net amount of \$757,786 in FY18-19. As a result, net capital assets decreased from \$12.30M in FY17-18 to \$11.75M in FY18-19.

# **FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ended June 30, 2019

### **Factors that may Impact the Future of the Authority**

FRNSA is considering 2 major projects (was 3) currently and they are as follows:

Project 1: Menasha Lock Electronic Barrier - project solution has been submitted to the DNR for review. The entire project expense ranges from 4 to 5 million. FRNSA is moving forward with this project as approvals are gained. FRNSA hopes to have all approvals by Spring of 2021.

Project 2: Appleton Visitor Center - FRNSA has completed the land transfer issues that remained with Department of Administration and the Developer (Eagle Flats) however additional site plan and environmental concerns yet to be resolved. FRNSA is anticipating the entire site plan and building of the visitor center will be in the range of 4 to 5 million. FRNSA has set aside \$750,000 for the project and received a grant of \$300,000 from the Nelson Family Fund. FRNSA plans on launching a fundraising campaign upon confirmation of the project's viability. Due to the Covid-19 Pandemic and resulting financial drop in the markets FRNSA is re-evaluating project feasibility. FRNSA has suspended its financial activity and encumbrance of additional expenses at this time. FRNSA Board will re-evaluate its position in the in late fall of 2020.

Rapide Croche - FRNSA has tabled its investigation into possible solutions to opening the Rapide Croche Lock (Closed in 1985 in consideration of the AIS Aquatic Invasive Species know as Sea Lamprey). Past solutions that were investigated were economically cost prohibitive. FRNSA will move this project forward once after project 1 has been completed.

Ongoing rehabilitation and repair of the locks - FRNSA incurs expenses for the ongoing maintenance of the locks of roughly \$500,000 to \$600,000 annually. FRNSA is working with consultants in the development of a preventative maintenance plan and strategy to reduce the ongoing expenses except for unforeseen incidents and emergency repairs.

FRNSA had one unplanned emergency repair project take place at Lock 4 in Appleton that required a portion of a lock wall to be rebuilt. The lock wall was part of the original wall built in the late 1800's. Additional drainage and erosion control measures were taken to reduce similar future wall failures. The project is underway and estimated to cost \$475,000-500,000.

### **Contacting the Authority's Financial Management**

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact Jeremy Cords, CEO, Fox River Navigational System Authority, 1008 Augustine St., Kaukauna, WI 54130.

## **BASIC FINANCIAL STATEMENTS**

**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**STATEMENT OF NET POSITION**

June 30, 2019

**ASSETS**

Current assets:

Cash	\$ 100,326
Investments	17,461,437
Total current assets	<u>17,561,763</u>

Capital assets:

Land, buildings, and equipment	16,400,217
Less accumulated depreciation	4,646,661
Net capital assets	<u>11,753,556</u>
Total assets	<u>29,315,319</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Expected vs. actual experience - WRS	32,164
Expected vs. actual investment income - WRS	122,916
Change in assumptions - WRS	6,961
Change in proportional share and difference in actual contributions - WRS	1,068
Contributions after measurement date - WRS	9,108
Total deferred outflows of resources	<u>172,217</u>

**LIABILITIES**

Current liabilities:

Accounts payable	42,621
Accrued salaries and wages	11,832
Accrued payroll taxes and withholdings	8,902
Total current liabilities	<u>63,355</u>

Long-term liabilities:

Net pension liability - WRS	<u>41,297</u>
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**DEFERRED INFLOWS OF RESOURCES**

Differences between projected and actual experiences - WRS	56,855
Expected vs. actual investment income - WRS	62,603
Change in proportional share and difference in actual contributions - WRS	402
Total deferred inflows of resources	<u>119,860</u>

**NET POSITION**

Net investment in capital assets	11,753,556
Unrestricted	17,509,468
Total net position	<u>\$ 29,263,024</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2019**

Functions	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Primary government:					
General government	\$ 989,523	\$ 35,956	\$ 126,637	\$ --	\$ ( 826,930)
Unallocated depreciation	762,581	--	--	--	( 762,581)
Total primary government	<u>\$ 1,752,104</u>	<u>\$ 35,956</u>	<u>\$ 126,637</u>	<u>\$ --</u>	<u>( 1,589,511)</u>
General revenues:					
Net investment activity					<u>979,483</u>
Change in net position					( 610,028)
Net position, beginning of year					<u>29,873,052</u>
Net position, end of year					<u>\$ 29,263,024</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**BALANCE SHEET -  
GOVERNMENTAL FUNDS**

June 30, 2019

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>			
Cash and investments	\$ 17,523,473	\$ 38,290	\$ 17,561,763
Due from other funds	2,310	--	2,310
Total assets	<u>\$ 17,525,783</u>	<u>\$ 38,290</u>	<u>\$ 17,564,073</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Accounts payable	\$ 6,641	\$ 35,980	\$ 42,621
Accrued salaries and wages	11,832	--	11,832
Accrued payroll taxes and withholdings	8,902	--	8,902
Due to other funds	--	2,310	2,310
Total liabilities	<u>27,375</u>	<u>38,290</u>	<u>65,665</u>
Fund balances:			
Spendable:			
Assigned	6,500,000	--	6,500,000
Unassigned	10,998,408	--	10,998,408
Total fund balances	<u>17,498,408</u>	<u>--</u>	<u>17,498,408</u>
Total liabilities and fund balances	<u>\$ 17,525,783</u>	<u>\$ 38,290</u>	<u>\$ 17,564,073</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION**

June 30, 2019

Total fund balances for governmental funds	\$ 17,498,408
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Total net position reported for governmental activities in the statement of net position is different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The capital assets consisted of:

Land	45,000	
Land improvements, net of \$8,213 accumulated depreciation	4,924	
Locks, net of \$4,211,347 accumulated depreciation	10,008,307	
Locks - construction in progress	92,198	
Visitor center - construction in progress	118,147	
Locktender houses, net of \$323,122 accumulated depreciation	1,306,952	
Building improvements, net of \$18,675 accumulated depreciation	112,439	
Furniture and equipment, net of \$85,304 accumulated depreciation	<u>65,589</u>	
Total capital assets		11,753,556

Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	172,217
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Long-term liabilities applicable to the Authority's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities. Interest is not accrued in governmental funds but, rather, is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net position. Balances as of June 30, 2019, are:

Net pension liability - WRS	( 41,297)
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Deferred inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds	<u>( 119,860)</u>
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Total net position of governmental activities	<u><u>\$ 29,263,024</u></u>
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**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2019

	General Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues:</b>			
Intergovernmental	\$ 125,400	\$ --	\$ 125,400
Charges for services	24,634	--	24,634
Net investment activity	979,483	--	979,483
Other sources	12,559	--	12,559
<b>Total revenues</b>	<u>1,142,076</u>	<u>--</u>	<u>1,142,076</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	816,715	--	816,715
Capital outlay	--	383,268	383,268
<b>Total expenditures</b>	<u>816,715</u>	<u>383,268</u>	<u>1,199,983</u>
<b>Excess of revenues over (under) expenditures</b>	<u>325,361</u>	<u>( 383,268)</u>	<u>( 57,907)</u>
<b>Other financing sources (uses):</b>			
Operating transfers in	--	383,268	383,268
Operating transfers (out)	( 383,268)	--	( 383,268)
<b>Net other financing sources (uses)</b>	<u>( 383,268)</u>	<u>383,268</u>	<u>--</u>
<b>Net change in fund balance</b>	<u>( 57,907)</u>	<u>--</u>	<u>( 57,907)</u>
<b>Fund balance, beginning of year</b>	<u>17,556,315</u>	<u>--</u>	<u>17,556,315</u>
<b>Fund balance, end of year</b>	<u><u>\$ 17,498,408</u></u>	<u><u>\$ --</u></u>	<u><u>\$ 17,498,408</u></u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THESE STATEMENTS.

**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE  
STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2019

Net change in fund balances-governmental funds	\$ ( 57,907)
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The change in net position reported for governmental activities is different because:

Governmental funds report Authority pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense. This is the amount pension expense exceeds the amount contributed by the Authority based on WRS calculations.	( 9,870)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is capitalized and depreciated over their useful lives. This is the amount by which depreciation exceeds capital expenditures in the current period.	<u>( 542,251)</u>
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Changes in net position of governmental activities	<u><u>\$ ( 610,028)</u></u>
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**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**NOTES TO FINANCIAL STATEMENTS**

**Note 1. Summary of Significant Accounting Policies:**

The financial statements of Fox River Navigational System Authority (Authority) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the Authority are described below.

**A. Reporting Entity**

The Fox River Navigational System Authority, a state agency, was created in 2001 to oversee the navigational system on the Fox River following the transfer of the system from the federal government to the state, which occurred on September 17, 2004. The Authority is governed by a nine member board of directors, six of whom are appointed by the Governor. The other board members consist of the secretaries of the Departments of Natural Resources and Transportation, and the director of the State Historical Society, or their designee. The Authority receives funding from state and federal government sources and must comply with the concomitant requirements of these funding source entities. There are no component units, as defined in GASB Statement 61 that are included in the Authority's reporting entity.

**B. Fund Accounting**

The accounts of the Authority are organized on the basis of funds. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures as appropriate. Authority resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Authority operates the following major governmental funds:

General Fund - The General Fund is the operating fund of the Authority. It is used to account for all financial resources of the Authority except those required to be accounted for in other funds.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of capital facilities.

**C. Basis of Presentation**

*Government-wide Financial Statements*

The statement of net position and the statement of activities display information about the Authority as a whole. These statements include the financial activities of the primary government, except for fiduciary funds and component units.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include reconciliation between the government-wide statements and the governmental fund statements.

**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 1. Summary of Significant Accounting Policies - Continued:**

The statement of net position presents the financial condition of the government-type activities of the Authority at year-end. The statement of activities presents a comparison between the direct expenses and program revenues for each function or program of the governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are, therefore, clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All revenues not classified as program revenues are presented as general revenues of the Authority.

*Fund Financial Statements*

Fund financial statements report detailed information about the Authority. Their focus is on major funds rather than reported funds by type. Each major governmental fund is presented in a single column.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**D. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Authority-wide financial statements are prepared using the accrual basis of accounting. The fund financial statements are prepared using the modified accrual basis of accounting.

*Revenues - Exchange and Nonexchange Transactions*

Revenues resulting from exchange transactions are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recognized in the accounting period when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current fiscal year. The available period for the Authority is sixty days after year-end.

Nonexchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, entitlements, and donations. On an accrual basis, revenue from nonexchange transactions is recognized in the fiscal year in which all eligibility requirements have been met. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: grants, contributions, investment earnings, rent, and other recreational and service fees.

*Expenditures*

Under the accrual basis of accounting, expenditures are recorded at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 1. Summary of Significant Accounting Policies - Continued:**

**E. Budgets**

The Authority's annual budget is scheduled for adoption at the annual board meeting held the fourth Tuesday in June of each year. The development of a preliminary budget is scheduled each January.

**F. Cash and Investments**

The Authority's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The general fund and capital projects fund use separate checking accounts to keep the funds segregated.

All investments are stated at fair value.

**G. Capital Assets and Depreciation**

General capital assets are reported in the authority-wide statement of net position, but not in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirement during the year. Donated fixed assets are recorded at their fair value as of the date received. All reported capital assets, with the exception of land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital asset. Depreciation is computed using the straight-line method over the following useful lives:

Land	Not depreciated
Locks	20 years
Locktender houses	40 years
Buildings and improvements	20-50 years
Land improvements	15-30 years
Furniture and equipment	5-20 years

**H. Fund Balances**

In the fund financial statements, governmental funds report aggregate amounts for the classifications of fund balances on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories or (b) legally or contractually required to be maintained intact - principal balance of endowments and permanent funds.

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance - this classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions of enabling legislation.

**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 1. Summary of Significant Accounting Policies - Continued:**

Committed fund balance - these amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions of the Authority Board - the Authority's highest level of decision making authority.

Assigned fund balance - this classification reflects the amounts constrained by the Authority's "intent" to be used for specific purposes, but are neither restricted nor committed. Intent can be expressed by the Authority Board or by an individual or subordinate high level body to which the Board has delegated authority to the extent assignment does not create a negative unassigned fund balance, as follows: 1) An amount sufficient to liquidate open encumbrances that are reasonably expected to result in the subsequent year, and 2) An amount estimated to be sufficient to cover the cost of unsettled labor agreements, if any.

Unassigned fund balance - this fund balance includes any remaining amounts that are not classified as nonspendable, restricted, committed or assigned.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use externally restricted resources first, then unrestricted resources - committed, assigned, and unassigned - in order as needed.

The Board assigned sufficient funds to partially close the system should the action be required. \$8.50 million of the original \$11.83 million provided from the Federal Government in 2004 was assigned for potential abandonment; \$6.5 million is assigned as of June 30, 2019.

**I. Deferred Outflows / Inflows of Resources**

The Authority implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority has items in this category relating to its share of the WRS pension plan.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that time. The Authority has items in this category relating to its share of the WRS pension plan.

**J. WRS Pension**

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 1. Summary of Significant Accounting Policies - Continued:**

**K. Use of Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Note 2. Cash and Investments:**

Chapter 237 of the Wisconsin Statutes sets forth that the Authority must make every reasonable effort to contract with one or more nonprofit corporations as described in section 501(c)(3) of the Internal Revenue Code that is based in one or more of the counties in which the navigational system is located. Each corporation contracted with the Authority must do all of the following:

- a) Provide marketing and fund-raising services for the Authority.
- b) Make every reasonable effort to raise \$2,750,000 of local or private funding for rehabilitation and repair of the navigational system.
- c) Accept for investment moneys received by the Authority for rehabilitation and repair under s. 237.08 and invest the moneys at a rate of return that the Authority finds adequate to enable the Authority to exercise its duties and powers in rehabilitating and repairing the navigational system.

The Authority contracts with Community Foundation for the Fox Valley Region, Inc., Greater Green Bay Community Foundation, and Oshkosh Area Community Foundation for the above services. The Foundations serve as fiscal agents in accepting, investing, and distributing federal, state and local contributions consistent with community foundation policies and legal requirements for the objectives and responsibilities of the Authority.

The carrying amount of the Authority's cash and investments totaled \$17,561,763 on June 30, 2019, as summarized below:

Petty cash funds	\$ 1,100
Deposits with financial institutions	99,226
Investments:	
Community Foundation Unlock the Fox Funds	17,461,437
Total	<u>\$ 17,561,763</u>
Reconciliation to the basic financial statements:	
Statement of net position	<u>\$ 17,561,763</u>

Deposits and investments of the Authority are subjected to various risks. Presented below is a discussion of specific risks and the Authority's policy related to each risk.

**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 2. Cash and Investments - Continued:**

*Custodial Credit Risk*

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Deposits in banks are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 per official custodian for demand deposits and an additional \$250,000 for time deposits. In addition, the State of Wisconsin has a State Guarantee Fund that provides a maximum of \$400,000 per entity above the amount provided by the FDIC. However, due to the relatively small size of the Guarantee Fund in relation to the total coverage, total recovery of losses may not be available.

As of June 30, 2019, the carrying amount of the Authority's deposits was \$100,326 and the bank balance was \$112,547. Of the bank balance, \$112,547 was covered by FDIC insurance.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Authority's investments are held in the name of Community Foundation for the Fox Valley Region Inc. The Foundation held \$17,461,437 at June 30, 2019.

*Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The Authority's investments in corporate bonds are rated BBB+ to AAA by Standard & Poor's. The Authority's money market funds are not rated.

The Authority adopted the Community Foundation for the Fox Valley Region, Inc.'s investment policy for these funds. The Unlock the Fox Fund may invest in:

Money Market and Fixed Income Investments:

- a) Securities of the U.S. Government or its agencies and sponsored organizations. Repurchase agreements 100% collateralized by such securities.
- b) Money market securities, which meet the SEC rule 2a-7 definition of top tier, or if unrated, are deemed equivalent to top tier by the investment advisor.
- c) Fixed income securities with a minimum rating of A at the time of purchase, as rated by a major fixed income rating organization, or if unrated, deemed equivalent to A quality by the investment advisor.
- d) Shares of open-end mutual funds, closed-end mutual funds, or exchange traded funds with investment criteria substantially matching the guidelines in this policy.
- e) Investment companies or trusts (open-end, closed-end, or ETF) which invest in non-investment grade securities, to the extent that the portfolio's allocation to this category does not exceed ten percent of portfolio assets at the time of purchase.

**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 2. Cash and Investments - Continued:**

- f) Investment companies or trusts (open-end, closed-end, or ETF) which invest in foreign and/or global debt instruments to the extent that the portfolio's allocation to any one of these categories does not exceed ten percent of portfolio assets at the time of purchase.

**Equities:**

- a) Common stocks of U.S. companies that are listed on a domestic stock exchange or are traded in the over-the-counter market or are traded on a domestic electronic stock exchange.
- b) American Depositary Receipts (ADRs or ADSs).
- c) Shares of open-end mutual funds, closed end mutual funds, or exchange traded funds, which invest in U.S. and/or international equity securities.
- d) Rights or warrants received by the portfolio as a result of a holding in the issuing parent company.
- e) Protective put option strategies or covered call option strategies.

**Alternative Investments:**

- a) Hedge Funds and Hedge Funds of funds.
- b) Private Equity investment companies or partnerships, which invest in leveraged buyouts, mezzanine financing, and/or venture capital financing.
- c) Real estate funds; Real Estate Investment Trusts (REITs).
- d) Commodity-related, Currency-related or other specialized mutual funds, pooled funds of ETF's that invest in assets designed to track the behavior of a specific commodity, currency, commodity index, currency index, or other alternative investment category.
- e) Structured Notes based on one of the approved investments.
- f) Other alternative investment assets provided suitable documentation for such assets is on file.
- g) It is assumed any illiquid investments will be discussed with the Foundations prior to investment.

***Maturity Guidelines***

The weighted average maturity of the portfolio of fixed income investments will not exceed 10 years. Individual fixed income securities will typically have maturities of 30 years or less.

**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 2. Cash and Investments - Continued:**

Following is the distribution of the Authority's investments by each investment type at June 30, 2019:

<u>Investment Type</u>	<u>Original Cost</u>	<u>Fair Value</u>
Money market funds	\$ 147,754	\$ 147,754
Equities:		
Domestic	7,029,369	9,983,913
Domestic mutual funds	2,458,785	2,449,453
Fixed income:		
Corporate bonds	3,885,023	3,956,508
Government bonds	402,249	410,354
Domestic mutual funds	450,424	407,490
International mutual funds	104,163	105,965
Totals	<u>\$ 14,477,767</u>	<u>\$ 17,461,437</u>

*Interest Rate Risk*

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Authority does not have a formal investment policy to address interest rate risk.

**Note 3. Funds held by the Community Foundation:**

Funds held by the Community Foundation represent funds transferred by the Authority to the Community Foundation for investment and contributions and pledges. Contributions and pledges from donors will be directed to the Community Foundation in their area. The Community Foundation sends acknowledgement letters for pledges and annual pledge payment notices to the donors. The Foundations maintain donor records and prepare reports as requested.

The Community Foundation works with Associated Bank for investing and managing their funds for the project. All contributions are attributed equally to the three foundations and invested together by the investment manager. The manager is expected to produce sufficient return to meet payout projections determined by the Community Foundations. It is projected that each year the Authority will establish a budget and will request distributions from the Fund for the upcoming year.

The balance in the Fund at the year ended June 30, 2019, is \$17,461,437.

**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 4. Changes in Capital Assets:**

	6/30/2018 Balance	Additions	Reductions	6/30/2019 Balance
Governmental activities:				
Land	\$ 45,000	\$ --	\$ --	\$ 45,000
Land improvements	13,137	--	--	13,137
Locks	14,026,767	192,887	--	14,219,654
Locks - construction in progress	137,929	--	45,731	92,198
Visitor center - construction in progress	92,081	26,066	--	118,147
Locktender houses	1,630,074	--	--	1,630,074
Building improvements	131,114	--	--	131,114
Furniture & equipment	108,580	47,108	4,795	150,893
Totals	16,184,682	266,061	50,526	16,400,217
Accumulated depreciation:				
Land improvements	7,556	657	--	8,213
Locks	3,505,187	706,160	--	4,211,347
Locktender houses	282,354	40,768	--	323,122
Building improvements	12,864	5,811	--	18,675
Furniture & equipment	80,914	9,185	4,795	85,304
Totals	3,888,875	762,581	4,795	4,646,661
Capital assets, net	\$ 12,295,807	\$ ( 496,520)	\$ 45,731	\$ 11,753,556

All depreciation expense was charged to unallocated depreciation.

**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 5. Long-term Obligations:**

Long-term obligations of the Authority are as follows:

<i>Type</i>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Net pension liability - WRS	\$ --	\$ 41,297	\$ --	\$ 41,297	\$ --

**Note 6. Interfund Balances:**

Interfund balances on the fund financial statements consisted of the following at June 30, 2019:

<i>Fund</i>	<u>Due From</u>	<u>Due To</u>
General	\$ 2,310	\$ --
Capital project	--	2,310
Totals	<u>\$ 2,310</u>	<u>\$ 2,310</u>

The inter-fund balance between the general fund and the capital project fund exists to remove the negative fund balance in the capital project fund.

Inter-fund transfers on the fund financial statements at June 30, 2019, consisted of the following:

Transfer from the General Fund to the Capital Project Fund	<u>\$ 383,268</u>
--	-------------------

The inter-fund transfer between the general fund and the capital project fund was made to provide additional funding for capital projects.

**Note 7. Excess of Actual Expenditures Over Budget in Individual Funds:**

There were no funds that had an excess of actual expenditures over budget for the year ended June 30, 2019.

**Note 8. Capital Lease:**

The State of Wisconsin leased to the Authority for the purposes of rehabilitation, repair, replacement, operation and maintenance, the Navigational System as set forth in Chapter 237 of the Wisconsin Statutes, together with the personal property conveyed to the State of Wisconsin by the federal government. The initial term of the lease is September 15, 2004, through September 15, 2034. The annual rent for the building and personal property shall be \$1 per year, payable on the commencement of the lease and the first day of each subsequent year of the lease.

**Note 9. Lease Income:**

The Authority entered into an easement agreement with American Transmission Company for right-of-way for electrical power transmission or communication facilities. American Transmission Company paid in advance a \$500 administration fee. Compensation in the amount of \$4,000 is also due per five year period. Every five years, or upon interim review, compensation will be reviewed. The easement was granted for a period of 23 years beginning August 23, 2011, the easement may be terminated by the Authority with a 90 day notice.

**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 10. General Information About the WRS Pension Plan:**

**Plan Description**

The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>

**Vesting**

For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

**Benefits Provided**

Employees who retire at or after age 65 (54 for protective occupation employees and 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The WRS also provides death and disability benefits for employees.

**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 10. General Information About the WRS Pension Plan - Continued:**

**Post-Retirement Adjustments**

The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement.

The Core and Variable annuity adjustments granted during recent years are as follows:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2008	6.6 %	0 %
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17

**Contributions**

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$15,185 in contributions from the employer.

Contribution rates as of June 30, 2019 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives, and elected officials)	6.7%	6.7%
Protective with Social Security	6.7%	10.7%
Protective without Social Security	6.7%	14.9%

**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 10. General Information About the WRS Pension Plan - Continued:**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2019, the Authority reported a liability (asset) of \$41,297 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2017, rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The Authority's proportion of the net pension liability (asset) was based on the Authority's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the Authority's proportion was 0.00116080%, which was a increase of 0.00017097% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the Authority recognized pension expense of \$27,419.

At June 30, 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 32,164	\$ 56,855
Changes in assumptions	6,961	--
Net differences between projected and actual earnings on pension plan investments	122,916	62,603
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,068	402
Employer contributions subsequent to the measurement date	9,108	--
Totals	<u>\$ 172,217</u>	<u>\$ 119,860</u>

\$9,108 is reported as deferred outflows related to pension resulting from the Authority's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ending June 30,	Deferred Outflows of Resources	Deferred Inflows of Resources
2019	\$ 58,674	\$ 43,339
2020	38,821	34,634
2021	38,053	30,988
2022	27,561	10,899
Thereafter	--	--

**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 10. General Information About the WRS Pension Plan - Continued:**

**Actuarial Assumptions**

The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	December 31, 2017
Measurement date of net pension liability (asset)	December 31, 2018
Actuarial cost method	Entry age
Asset valuation method	Fair market value
Long-term expected rate of return	7.0%
Discount rate	7.0%
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table
Post-retirement adjustments*	1.9%

\* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience, actuarial assumptions used to measure the total pension liability changed from the prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The total pension liability for December 31, 2018, is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

**Long-term Expected Return on Plan Assets**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 10. General Information About the WRS Pension Plan - Continued:**

**Retirement Funds  
Asset Allocation  
Targets and Expected  
Returns**

<u>Core Fund Asset Class</u>	<u>Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-Term Expected Real Rate of Return %</u>
Global equities	49	8.1	5.5
Fixed income	24.5	4.0	1.5
Inflation sensitive assets	15.5	3.8	1.3
Real estate	9	6.5	3.9
Private equity/debt	8	9.4	6.7
Multi-asset	4	6.7	4.1
Total Core Fund	110	7.3	4.7
<u>Variable Fund Asset Class</u>			
U.S. equities	70	7.6	5.0
International equities	30	8.5	5.9
Total Variable Fund	100	8.0	5.4

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

Asset allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

**Single Discount Rate**

A single discount rate of 7.0% was used to measure the total pension liability, as opposed to a discount rate of 7.2% for the prior year. This single discount rate was based on the expected rate of return on pension plan investments of 7.0% and a municipal bond rate of 3.71%. Because of the unique structure of WRS, the 7.0% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the municipal bond rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 10. General Information About the WRS Pension Plan - Continued:**

**Sensitivity of the Authority's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate**

The following presents the Authority's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0%, as well as what the Authority's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease to Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase to Discount Rate (8.0%)
Authority's proportionate share of the net pension liability (asset)	\$ 164,121	\$ 41,297	\$ ( 50,031)

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>

**Payable to WRS Pension Plan**

At June 30, 2019, the Authority reported a payable of \$2,792 for the outstanding amount of contributions in the Plan for the year ended June 30, 2019.

**Note 11. Contingent Liabilities:**

**Risk management** - The Authority is exposed to various risks of loss, including torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchases commercial insurance coverage for most of these risks. There were no reductions in purchased coverage for the year ended June 30, 2019. No settlements exceeded insured amounts during these years.

**Litigation** - From time to time, the Authority is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and counsel that the likelihood is remote, due in part to insurance coverage, that any other such claims or proceedings will have a material effect on the Authority's financial position.

**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 12. Fund Balance Reporting:**

The following table discloses details of the amounts reported in the various fund balance categories as of June 30, 2019:

Description	General Fund	Capital Projects Fund	Total Governmental Funds
Fund balances:			
Assigned:			
Potential system abandonment	\$ 6,500,000	\$ --	\$ 6,500,000
Unassigned	10,998,408	--	10,998,408
Total fund balances	<u>\$ 17,498,408</u>	<u>\$ --</u>	<u>\$ 17,498,408</u>

**Note 13. Fair Value Measurement:**

The Authority's investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 - Investments reflect prices quoted in active markets

Level 2 - Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered active

Level 3 - Investments reflect prices based upon unobservable sources

The categorization of investments with the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

The fair value of the Authority's investments were classified as follows:

	Level 1	Level 2	Level 3	Totals
Money market funds	\$ 147,754	\$ --	\$ --	\$ 147,754
Government bonds	410,354	--	--	410,354
Corporate bonds	3,956,508	--	--	3,956,508
Bond mutual funds	513,455	--	--	513,455
Equity funds	9,983,913	--	--	9,983,913
Equity mutual funds	2,449,453	--	--	2,449,453
Totals	<u>\$17,461,437</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$17,461,437</u>

Investments classified in the Level 1 of the fair value hierarchy are valued using prices provided by the Community Foundation for the Fox Valley Region, Inc.

**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**NOTES TO FINANCIAL STATEMENTS - CONTINUED**

**Note 14. US Army Corps of Engineers:**

As part of the original transfer of the locks to the State, the Corps made a transfer of money to the Authority for upgrading the locks. Once the locks are complete, there may be some additional funds that will be made available subject to congressional funding.

**Note 15. Related Party Transactions:**

The Authority leases one of its lock tender houses to its CEO. It is a month to month lease with current monthly payments of \$400.

**Note 16. Subsequent Events:**

The Authority has evaluated all subsequent events through April 23, 2020, the date on which the financial statements were available to be issued.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY (ASSET)**

Wisconsin Retirement System  
Last 10 Fiscal Years\*

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability (Asset)</u>	<u>Proportionate Share of the Net Pension Liability (Asset)</u>	<u>Covered Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</u>
06/30/15	0.00104160%	\$ ( 25,578)	\$ 155,972	102.74%
06/30/16	0.00104238%	16,938	138,732	98.20%
06/30/17	0.00102793%	8,473	143,287	99.12%
06/30/18	0.00098983%	( 29,389)	148,692	102.93%
06/30/19	0.00116080%	41,297	226,650	96.45%

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

2015 was the first year that this information was made available due to implementation of GASB 68.

**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS**

Wisconsin Retirement System

Last 10 Fiscal Years\*

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Employee Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
06/30/15	\$ 10,918	\$ 10,918	\$ --	\$ 155,972	7.00%
06/30/16	9,434	9,434	--	138,732	6.80%
06/30/17	9,457	9,457	--	143,287	6.60%
06/30/18	10,111	10,111	--	148,692	6.80%
06/30/19	15,185	15,185	--	226,650	6.70%

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

2015 was the first year that this information was made available due to implementation of GASB 68.

**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**NOTES TO REQUIRED WRS SCHEDULES**

For the Year Ended June 30, 2019

**Note 1. Change of Benefit Terms:**

There were no changes of benefit terms for any participating employer in WRS.

**Note 2. Change of Assumptions:**

Actuarial assumptions are based upon an experience study conducted in 2018 using experience from 2015 - 2017. Based on the experience study conducted in 2018, actuarial assumptions used to develop total pension liability changed, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates.

**FOX RIVER NAVIGATIONAL SYSTEM AUTHORITY  
KAUKAUNA, WI**

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - BUDGETARY BASIS -  
GENERAL FUND**

For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance With Final Budget
<b>Revenues:</b>				
Intergovernmental	\$ 125,400	\$ 125,400	\$ 125,400	\$ --
Charges for services	23,440	23,440	24,634	1,194
Net investment activity	1,129,000	1,129,000	979,483	( 149,517)
Other sources	13,500	13,500	12,559	( 941)
<b>Total revenues</b>	<u>1,291,340</u>	<u>1,291,340</u>	<u>1,142,076</u>	<u>( 149,264)</u>
<b>Expenditures:</b>				
General government	1,405,300	1,405,300	816,715	588,585
<b>Total expenditures</b>	<u>1,405,300</u>	<u>1,405,300</u>	<u>816,715</u>	<u>588,585</u>
Excess of revenues over (under) expenditures	( 113,960)	( 113,960)	325,361	439,321
Net other financing sources (uses)	<u>--</u>	<u>--</u>	<u>( 383,268)</u>	<u>( 383,268)</u>
Net change in fund balance	( 113,960)	( 113,960)	( 57,907)	56,053
Fund balance, beginning of year	<u>17,556,315</u>	<u>17,556,315</u>	<u>17,556,315</u>	<u>--</u>
Fund balance, end of year	<u>\$ 17,442,355</u>	<u>\$ 17,442,355</u>	<u>\$ 17,498,408</u>	<u>\$ 56,053</u>